

**NATIONAL DAIRY MARKET AT A GLANCE**

**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (5/27)**  
**BUTTER:** Grade AA closed at \$1.4100. The weekly average for Grade AA is \$1.4150 (-.0258).

**CHEESE:** Barrels closed at \$1.4150 and blocks at \$1.4600. The weekly average for barrels is \$1.4190 (-.0890) and blocks, \$1.4610 (-.0960).

**BUTTER:** The butter market tone is weak. The cash price continues to edge lower. Weakness seems to bolster the idea that the recent price increases were driven by futures positions and not supply and demand. Churning activity remains seasonally strong. Cream offerings to the churn were somewhat light late last week as other cream based product production increased. This week, within some regions of the country, this demand has declined and cream offerings to the churn have once again increased. Butter producers anticipate that cream volumes will remain readily available through the upcoming Memorial Day holiday weekend. Reports indicate that some cream suppliers already have loads that are difficult to place, thus negotiable price discussions are anticipated by cream buyers. Stocks of butter continue to build and are running heavier than last year at this time. Butter demand remains fair at best. Some buyers that were hesitant to place orders under the firm market tone of last week, returned to the market this week. Retail orders are fair, occasionally stimulated by scattered feature activity. Food service orders are off slightly this week as most holiday and pre summer/resort orders have been placed and shipped.

**CHEESE:** The cheese market is weak. Overall milk and cheese production remains well above a year ago. Weekly average prices at the Chicago Mercantile Exchange are sharply below the \$1.80 per pound for blocks and \$1.77 per pound for barrels a year ago. Natural interest is steady to slower where buyers wait for prices to decline from the increase of a week ago. Process interest continues to improve though still lags typical seasonal levels. Cheese production is seasonally heavy and plant operators are being offered additional milk, often at a discount. Cheese yields are steady to lower seasonally.

**FLUID MILK:** Current milk volumes bring back memories of a traditional spring flush with manufacturing plant capacity pushed to the limit over the Memorial Day holiday weekend and as additional schools close for summer. Milk intakes are increasing through much of the country. However, hot temperatures are impacting receipts through much of the Southwest and volumes are lower in the southern part and Central Valley of California. Heat stress has not yet been adequate to severely impact the milk flow in the Southeast and Florida.

**DRY PRODUCTS:** The NDM market is steady to firm. The large seasonal skim volumes available have producers stopping high heat production in order to increase dryer throughput by making low heat NDM. Some producers continue to build inventory to meet later year commitments. Current interest is fair though some buyers are delaying deliveries in the hope of lower prices later. Also, some cheese plants have reduced fortifying cheese vats with NDM. Buttermilk prices are unchanged to lower on a steady to weak market. Churning remains seasonally active. The use of condensed

buttermilk in ice cream is not large enough to use up the condensed buttermilk offerings, so drying continues. The whey market is steady to firm with prices generally higher. Production is heavy with production clearing almost as soon as produced for some producers. Export buyer resistance to higher prices is increasing though the U.S. remains the cheapest source of supply. The WPC market is firm and prices higher. Most deliveries are occurring on contracted volumes. Inventories remain light.

**CCC:** During the week of May 23 - 27, there was no price support activity.

**COLD STORAGE (NASS):** On April 30, U.S. cold storage holdings of butter totaled 163.4 million pounds, 23% than a month ago and 5% more than last April. Natural American cheese holdings total 548.5 million pounds, 6% more than a month ago, and 4% more than a year ago. Nonfat dry milk holdings at the end of March total 322 million pounds, 52 million pounds less than last month and 519 million pounds below last March.

**DAIRY OUTLOOK (ERS):** Milk and dairy product prices are expected to fall again in 2006. Expansion in milk production is projected to accelerate after more than 2 years of relatively strong returns. Production growth is expected to surpass demand gains (particularly for skim solids), leading to the lower prices. Even so, farm milk prices are projected to stay considerably above the low prices of 2002-03. The strong returns of late 2003 through early 2005 and the expected good returns for the rest of 2005 have generated strength in milk cow numbers. Relatively few farmers have exited dairying because recent returns have bolstered their staying power, a pattern that is likely to continue through 2006. Milk cow numbers are expected to stay near early 2005 levels during the rest of this year, before drifting higher as 2006 progresses. If so, 2006 milk cow numbers would average about unchanged, following a very small fractional decrease in 2005. Milk per cow should continue to recover in 2006. Incentives for heavy concentrate feeding will remain quite favorable. Milk per cow is projected to grow more than 2 percent in 2006, slightly faster than 2005's expansion. Gains in demand for dairy products are expected to be fairly substantial. Demand could soften if interest rates rise more than currently expected, forcing reductions in expenditures for consumption. Export demand for nonfat dry milk is projected to stay good through at least most of 2006. Healthy demand likely will remain the key to absorbing record output at such relatively favorable prices.

**APRIL CONSUMER PRICE INDEX (BLS):** The CPI for all food is 190.2, up 3.1% from April 2004. The dairy products index is 182.2, up 4.7% from a year ago. The following are the April to April changes for fresh whole milk +7.5%, cheese +4.9%, and butter +2.6%.

**COMMERCIAL DISAPPEARANCE (ERS, AMS):** Commercial disappearance of dairy products during the first quarter of 2005 totals 42.0 billion pounds, 1.1% above the same period in 2004 on a daily average basis. Comparing disappearance levels with year earlier levels: butter is -1.8%; American cheese, +0.7%; other cheese, +4.8%; NDM, +0.5; and fluid milk products, -1.2%.

**\*\*\*\*SPECIALS THIS ISSUE\*\*\*\***

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**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

PRODUCT	MONDAY MAY 23	TUESDAY MAY 24	WEDNESDAY MAY 25	THURSDAY MAY 26	FRIDAY MAY 27	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.4400 (-.0700)	\$1.4250 (-.0150)	\$1.4075 (-.0175)	\$1.4075 (N.C.)	\$1.4150 (+.0075)	(-.0950)	\$1.4190 (-.0890)
40# BLOCKS	\$1.4900 (-.0375)	\$1.4500 (-.0400)	\$1.4500 (N.C.)	\$1.4550 (+.0050)	\$1.4600 (+.0050)	(-.0675)	\$1.4610 (-.0960)
BUTTER							
GRADE AA	\$1.4200 (-.0225)	-----	\$1.4150 (-.0050)	-----	\$1.4100 (-.0050)	(-.0325)	\$1.4150 (-.0258)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. \*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM **NOTE: CME NDM on Page 2. NOTE: The CME will be closed on Monday, May 30.**

**CHICAGO MERCANTILE EXCHANGE**

MONDAY, MAY 23, 2005

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.4550, 1 @ \$1.4400; 11 CARS 40# BLOCKS: 2 @ \$1.5150, 2 @ \$1.5125, 2 @ \$1.5150, 1 @ \$1.5075, 4 @ \$1.5000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4400; 10 CARS 40# BLOCKS: 1 @ \$1.4900, 1 @ \$1.4975, 1 @ \$1.5050, 1 @ \$1.5125, 5 @ \$1.5150, 1 @ \$1.5375

BUTTER -- SALES: 14 CARS GRADE AA: 2 @ \$1.4200, 1 @ \$1.4150, 2 @ \$1.4125, 1 @ \$1.4100, 1 @ \$1.4125, 1 @ \$1.4150, 1 @ \$1.4175, 1 @ \$1.4200, 1 @ \$1.4225, 3 @ \$1.4200; BIDS UNFILLED: 11 CARS GRADE AA: 4 @ \$1.4175, 5 @ \$1.4150, 2 @ \$1.4100; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.4375

TUESDAY, MAY 24, 2005

CHEESE -- SALES: 1 CAR BARRELS @ \$1.4375; 2 CARS 40# BLOCKS @ \$1.4500; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4000; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.4250, 1 @ \$1.4275; 1 CAR 40# BLOCKS @ \$1.4900

WEDNESDAY, MAY 25, 2005

CHEESE -- SALES: 1 CAR BARRELS @ \$1.3975; 6 CARS 40# BLOCKS: 4 @ \$1.4500, 1 @ \$1.4475, 1 @ \$1.4500; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.4075, 1 @ \$1.3925; 4 CARS 40# BLOCKS: 1 @ \$1.4450, 2 @ \$1.4400, 1 @ \$1.4350; OFFERS UNCOVERED: 3 CARS BARRELS: 1 @ \$1.4175, 2 @ \$1.4200

BUTTER -- SALES: 7 CARS GRADE AA: 2 @ \$1.4200, 2 @ \$1.4225, 2 @ \$1.4175, 1 @ \$1.4150; BIDS UNFILLED: 13 CARS GRADE AA: 6 @ \$1.4150, 2 @ \$1.4125, 2 @ \$1.4100, 1 @ \$1.4075, 2 @ \$1.4050; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.4400

THURSDAY, MAY 26, 2005

CHEESE -- SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4000; 3 CARS 40# BLOCKS: 1 @ \$1.4550, 1 @ \$1.4500, 1 @ \$1.4400; OFFERS UNCOVERED: NONE

FRIDAY, MAY 27, 2005

CHEESE -- SALES: 3 CARS BARRELS: 1 @ \$1.4075, 1 @ \$1.4125, 1 @ \$1.4150; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4075; 4 CARS 40# BLOCKS: 1 @ \$1.4600, 2 @ \$1.4425, 1 @ \$1.4400; OFFERS UNCOVERED: NONE

BUTTER -- SALES: 6 CARS GRADE AA: 5 @ \$1.4100, 1 @ \$1.4125; BIDS UNFILLED: 6 CARS GRADE AA: 1 @ \$1.3975, 2 @ \$1.3950, 2 @ \$1.3925, 1 @ \$1.3900; OFFERS UNCOVERED: 2 CARS GRADE AA: 1 @ \$1.4100, 1 @ \$1.4300

**CME CASH NONFAT DRY MILK:** Extra Grade closed the week at \$0.9625 and Grade A at \$0.9825. (The last price change occurred March 30.) The weekly average for Extra Grade is \$0.9625 (N.C.) and Grade A is \$0.9825 (N.C.).

**BUTTER MARKETS****APRIL COLD STORAGE**

According to NASS, April month-ending cold storage figures for butter total 163.4 million pounds, 4.9% more than last April and 23.4% more than March 2005.

**NORTHEAST**

The CME cash price for butter has decreased three cents in the last two trading sessions (through 5/23). This seems to bolster the idea that the recent price increases were driven by futures positions and not supply and demand. The recent Cold Storage report showed April's month ending stocks above year ago levels for the first time since 2003. That, along with last week's Milk Production report, cast an overall bearish attitude over the market. Churning activity is still heavy, but a slight improvement in Class II demand did help ease the pressure on butter makers. Retail sales are steady. Food service orders are improved as we approach the Memorial Day weekend. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

**CENTRAL**

The butter market tone is weak as the cash price continues to decline. Producers and handlers indicate that the recent firmness in price was attributed to futures influences and late last week, those issues were resolved. Now most feel that the cash prices will continue to edge lower and will return to a level within \$1.3000 - \$1.4000. Churning activity remains seasonally strong. Cream supplies tightened somewhat late last week, but returned to readily available volumes this week. Butter producers anticipate that cream volumes will be readily available this week and through the Memorial Day holiday weekend. Reports indicate that some cream suppliers already have loads that are difficult to place, thus negotiable

price discussions are anticipated by cream buyers. Churning continues to surpass demand thus inventories are building. Butter orders slowed last week as the cash price firmed, but many buyers anticipated that the firm trend would be short lived and waited, if possible, to place orders. Some scattered retail feature activity occurred and is scheduled in the Central part of the country as the holiday weekend nears. Bulk butter for spot sale is being reported in the flat - 2 cents per pound over various pricing basis.

**WEST**

Butter prices at the cash CME market have started to decline again. In the last three trading sessions, prices have fallen 3 1/2 cents. Some contacts are stating that the Cold Storage report released last Friday is part of the reason. U.S. Cold Storage butter stocks at the end of April total 163.4 million pounds, up 23% or 31 million pounds during the month of April. The average April increase for the last six years was 18.5 million pounds. Inventories are now above year ago levels for the first time since August of 2003. Stocks are 5% ahead of last year or 7.7 million pounds. Imports of High-Tier (above quota with a penalty) butter for the first four months of the year totals 232,000 pounds, about 1/4 of the amount imported last year during the same period. Quota imports for the period are 6.66 million pounds, up 10.6% from last year and 43% of the annual quota. Butter demand is sometimes being called fair, but more often slow. Buyers seem to feel that if prices do stabilize near their recent lows, then improved demand may ensue. Cream supplies to the churns may not be quite as heavy as over the past few weeks. Ice cream activity is improving and a little less standardized milk is coming out of fluid supplies for schools. CME weekly butter stocks grew by 3.78 million pounds last week to stand at 101.2 million pounds. Stocks were 98.0 million pounds this week last year and were 193.6 million pounds in 2003. Bulk butter prices range from flat to 3 cents under based on the CME with various time frames and averages.

**NASS DAIRY PRODUCT PRICES****U.S. AVERAGES AND TOTAL POUNDS**

<u>WEEK ENDING</u>	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
MAY 21	1.4384	1.4144	0.9369	1.3947	0.2621
	9,140,932	10,348,499	19,662,301	5,369,428	11,961,906

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

## CHEESE MARKETS

## NORTHEAST

Prices are sharply higher on natural cheddar and process items; unchanged on Swiss. The market tone is unsettled. Orders were moderately heavy early last week, but prices at the CME turned lower late in the week and early (5/23) this week. Buyers are now holding off on some orders to see where prices will settle. Recent milk production and cold storage reports likely had a large impact on trading prices at the CME. Cheese production in the Northeast remains moderate to heavy as milk supplies are at near-peak volumes. Retail cheese sales are slow to fair while food service orders are fairly brisk as fast food and other restaurants get ready for the Memorial Day weekend and the unofficial start of summer.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.6350-2.1500
Cheddar Single Daisies	:	1.5925-2.0675
Cheddar 40# Block	:	1.6975-1.9675
Process 5# Loaf	:	1.7175-1.9275
Process 5# Sliced	:	1.7375-1.9550
Muenster	:	1.7075-1.9100
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

## MIDWEST

The cheese market is weak after recent reports continue to indicate strong short term milk and cheese production. Current spot orders are often lighter as a reaction to the increase in last week's average prices with a lower daily cash market since Thursday (May 19). Committed cheese volumes remain steady. Current natural American and cheddar interest remains fairly good with uncommitted volumes minimal. Process orders continue to improve but still lag usual spring/summer levels. Mozzarella orders have also improved for some producers. Cheese production operations are expecting to operate on extended schedules over the holiday weekend in order to clear all the milk offerings with most spot milk purchases well below class. Most packagers and processors will be closed on Memorial Day, reducing bulk cheese requirements though some overtime has been used in recent weeks to build some cushion stocks. Cheese yields are generally at low spring levels.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.7075-1.9800
Brick And/Or Muenster 5#	:	1.9900-2.1050
Cheddar 40# Block	:	1.8400-2.2650
Monterey Jack 10#	:	2.0400-2.2650
Blue 5#	:	2.4000-2.7000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7325-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.3800-2.8500

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
		:	
05/23/05	51,303	:	144,777
05/01/05	47,794	:	141,813
CHANGE	3,509	:	2,964
% CHANGE	7	:	2

## WEST

Block cheese prices at the cash CME market have declined 12 3/4 cents in the last five trading sessions to stand at \$1.45. This should mean that average exchange prices will decline next week. Buyers have pulled back from the market again to wait for prices to stabilize. Barrel cheese and mozzarella continue to be the slowest sellers. Blocks and Swiss are in much better shape. Contacts believe that the weakness is at least partially based on the heavier milk production report from last week and the growing stocks noted in the Cold Storage report. Buyers are again expected to enter the market when they believe that some sort of a bottom has been established. U.S. Cold Storage stocks of American cheese at the end of April total 548.5 million pounds, up 6% or 30.1 million pounds from the end of March. That is the largest gain registered for April since 1999. The six year average increase for April is 17 million pounds. Stocks are up 4% or 22.1 million pounds from last year. Swiss stocks stand at 21.1 million pounds, down 22% from last year. High-Tier imports of cheese (above quota with a penalty) for the first four months of the year total 7.39 million pounds, down 41% from the same period last year. Quota imports for the first four months of the year have reached 96.7 million pounds, up 15.3% from the same period in 2004. Imports have reached 32% of the annual quota. Milk supplies available to cheese plants remain heavy, but the seasonal peak has been reached in the southerly areas of the region. Milk supplies are declining more rapidly than in most seasons because of record heat over some of the production areas.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.6600-1.9175
Cheddar 40# Block	:	1.6775-2.0300
Cheddar 10# Cuts	:	1.8575-2.0775
Monterey Jack 10#	:	1.8675-2.0275
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

## FOREIGN

Prices are steady on imported styles sharply higher on domestic types. However, trading at the CME late last week and early (Monday) this week does point to lower prices for domestic styles next week. Demand is steady to seasonally slower and stocks are mostly adequate to cover needs. Recent reports note that imports of cheese subject to licensing during the first four months of 2005 totaled 43.88 million Kg., 15.3% more than the same period last year. During that same period, imports of high-tier cheese totaled 3.35 million KG, 40.9% less than last year.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

	:	NEW YORK
VARIETY	:	IMPORTED : DOMESTIC
Roquefort	:	TFEWR : -0-
Blue	:	2.6400-4.6900 : 1.9475-3.4375*
Gorgonzola	:	3.6900-5.9400 : 2.4600-2.5275*
Parmesan (Italy)	:	TFEWR : 3.3650-3.4700*
Romano (Italy)	:	2.1000-3.1500 : -0-
Provolone (Italy)	:	3.4400-6.0900 : 1.9500-2.1850*
Romano (Cows Milk)	:	-0- : 3.1450-5.3100*
Sardo Romano (Argentina)	:	2.8500-3.2900 : -0-
Reggianito (Argentina)	:	2.6900-3.2900 : -0-
Jarlsberg-(Brand)	:	3.1200-4.1500 : -0-
Swiss Cuts Switzerland	:	-0- : 2.4500-2.6500
Swiss Cuts Finnish	:	2.5900-2.8500 : -0-
Swiss Cuts Austrian	:	TFEWR : -0-
Edam	:	:
2 Pound	:	TFEWR : -0-
4 Pound	:	2.1900-3.5600 : -0-
Gouda, Large	:	TFEWR : -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	:	27.8000-31.7000 : -0-

\* = Price change.



## FLUID MILK AND CREAM

## E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	209	0	212	0	215
SOUTHEAST STATES	0	0	0	0	0	0

Milk production is not falling very quickly in the Southeast and continues to climb slowly towards the peak in the Northeast. Cool temperatures continue in the Northeast and Florida, other Gulf Coast states, and the mid-South states have not yet seen any real hot weather. Milk supplies are burdensome in much of the region. Bottlers' orders are slowing in most of the Southern states as schools are in their last week or two of this school-year. Most schools are closing this week and the remainder scheduled for next week. Farther north, schools are still in session through most of June. Retail sales of bottled milk are steady. With Memorial Day weekend upon us, milk users are canceling some loads, further adding to the surplus milk supply. Most contacts comment that this year's flush is the heaviest they have seen in several years. All manufacturing plants are full or as full as they want to be. Some break downs have put a few plants even farther behind and most facilities have tankers in the yard waiting to unload. Haulers are upset that the long waiting times to unload and farm pick-up haulers are adding trucks/routes to handle the increased volumes. Most contacts see this heavy milk situation continuing through most of June as any production declines will likely be offset by school lunch programs coming to an end. The condensed skim market is weak, but prices have held since most sales are to regular accounts. Unconfirmed reports note that distressed prices for condensed skim are more common for both Class II and III. These low priced sales are likely producers who want to move more condensed skim to ease the pressure on their dryers. Demand is improving slightly, but few new spot sales have been reported. The fluid cream market remains weak. The improvement in the cream market seen late last week has disappeared. With Memorial Day weekend coming up, many cream users expect to be down an extra day and this is forcing more cream back onto the market. Spot prices are often higher as the CME cash butter price average increased nearly six cents last week. However, buyers, seeing lower butter prices, are often purchasing on the CME market, date-of-shipment rather than the weekly average. This week, more loads of excess cream are clearing to Midwest butter plants. Ice cream production and sales are seasonally light. Weather conditions in the Northeast have not been conducive to ice cream and soft serve consumption. Some contacts are hopeful that Memorial Day and the opening of resort-area food stands will help soft serve mix sales "get off the ground." Cream cheese output is also lagging expectations.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

## SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.7290-1.9019
DELIVERED EQUIVALENT ATLANTA	-	1.7434-1.9019 M 1.7866-1.8298
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.7290-1.8010

## PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:		
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	.9400-1.0200
NORTHEAST- CLASS III - SPOT PRICES	-	1.1000-1.1700

## M I D W E S T

Class I interest is steady to generally lower. Institutional fluid demand is slowing as more universities/schools close for the summer. Overall Class II production is good though with cottage cheese production uneven. As schools close over the next few weeks, long time fluid handlers expect manufacturing plants will remain full until temperatures and humidity increase sufficiently to impact milk production. Many operations such as ice cream plants will be closed an extra day or more for the holiday and others such as bottlers may adjust their schedules around the holiday. Finding available manufacturing milk space is at a premium with sharp discounts noted including -\$2.50 and -\$2.00 paid for milk delivered into upper Midwestern plants from as far away as Indiana and Ohio (perhaps -\$4.00 or so net shipper) with a high of around flat class delivered locally. Thus far, trucks do not seem to be a major issue though as unloading slows down and as storage units fill, that could change. Cream seems to have tightened during the week but buyers expect ample supplies over the weekend. Ice cream/novelty production continues to pick up at some operations. Milk intakes are generally higher in the upper tier

of states where cool, frequently wet conditions are close to ideal for milk production. Further south in Texas and nearby states, temperatures at and above 100 degrees have impacted receipts. While the corn planting is generally well ahead of normal in the upper tier of states, wet conditions are slowing soybean planting and first cutting harvest in some areas. With heavy winterkill, many farmers are trying to make an early first cutting before replanting hayfields to silo corn or an alternative forage crop. Dairy cattle prices at a Wisconsin dairy auction on May 26, for approved springing cows sold for \$1700 - 2025 per head, and mediums from \$1400 - 1700. Prices for approved springing heifers were \$1750 - 2125, and mediums \$1450 - 1725.

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MAY 19 - 25	PREVIOUS YEAR
SLAUGHTER COWS	\$ 59.00- 63.50	\$ 51.50- 59.00
REPLACEMENT HEIFER CALVES	\$500.00-740.00	\$350.00-600.00

## SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	MAY 19 - 25	PREVIOUS YEAR
SLAUGHTER COWS	\$ 57.50- 70.00	\$ 50.50- 60.00

## W E S T

April 2005 POOL RECEIPTS of milk in CALIFORNIA total 3.02 billion pounds, 2.5% higher than last year. The April blend price, at a fat test of 3.64%, is \$14.06, 5 cents higher than March but \$3.20 less than April 2004. The percentage of receipts used in Class I products is 14.53%. The April quota price is \$15.06 and the over quota price is \$13.36. These prices are 8 cents higher than March but \$3.17 lower than a year earlier. CALIFORNIA milk production is steady to slightly lower in the south and in the Central Valley. Total volumes are running ahead of last year by 3 to 5%. Hotter weather conditions are common and are slightly affecting milk output. The impacts of biting flies are beginning to be felt further north. Plants are running on extended schedules to process the seasonal milk supplies. Milk is expected to be handled well over the holiday weekend. Fluid milk sales are fair at best and orders ahead of the weekend have slowed, especially from school accounts. ARIZONA milk production is trending lower from the seasonal peak. Hot weather during the day and higher nighttime lows continue to impact the milk cows. Plants have room for additional milk and may need to help out nearby processors over the holiday weekend. Production in NEW MEXICO is steady to lower and affected by hot temperatures. The fat and protein level of milk are trending seasonally lower. Plants are expected to run on extended schedules over the holiday weekend and should have capacity. Fluid milk orders are slower ahead of the weekend. The first cutting of hay is ending in the south with prices holding steady. At midweek before the holiday weekend, CREAM supplies are balanced in much of the region. Supplies are lower because of lower milk production, reduced fat in milk, and less standardizing of fluid milk. Multiples and overages are often slightly higher to secure sales. The butter price at the CME moved lower this week and closed at \$1.4150 on Wednesday, May 25, down 3.5 cents from last week. Churning remains active in the region and producers want cream to make butter for current and future needs. Some cheese producers are buying cream along with condensed skim to increase capacity. Cream multiples are higher and range from 109 to 125 FOB, and vary depending on basing points and class usage. Weather conditions have finally turned around in the PACIFIC NORTHWEST. Conditions are dry and warm enough that some producers are able to work on making some grass silage. Very little new crop hay is available. What is coming on the market is not very good quality, it is expensive, and the cows don't like it. Many hay growers are commenting that their first cutting is normally their best of the year. This year, they are not so sure of that. Fields have drowned out areas, foliage is yellow, weeds are a problem, and growth is very uneven. Some are planning to cut very early and hope for the best on the second cutting. Producers in the region were anticipating that the milk flow might increase a bit when new crop hay becomes available. They are not sure if that will be the case and are seeing output flat at this time. Plants in the region are expecting to be at capacity over the upcoming holiday weekend. In the last few years that has not always been the case. Field work is again being attempted and crops are beginning to grow after a very wet, cool spring in UTAH and IDAHO. Small grain planting is coming to completion and corn is going in the ground. Farmers are hoping that it is not too late to get a silage crop out of the corn. Hay is slow growing and doesn't look too good. Growers are thankful for the high prices which should make up for some of the quality problems and high fuel prices. Plants will be running full out this weekend. Some milk is leaving the region to find processing capacity.

**NDM, BUTTERMILK & WHOLE MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

**CENTRAL:** Prices are unchanged on a steady to firm market. With seasonally heavy milk supplies and excess volumes anticipated over the holiday weekend, NDM production schedules are running strong. Due to the extra time required for the production of high heat NDM, most plants are opting to produce low heat NDM to keep volumes moving. Supplies of high heat NDM are reportedly limited for the fair interest. Although low heat NDM supplies are building at most plants, producers are generally not offering loads to the trade as supplies are expected to be needed for contractual obligations later this summer. Buyers with Western region contracts are noting increased availability of loads previously delayed. Buyers are not readily receiving these delayed loads due to adequate spot purchases during the delayed time span and lack of end-users willing to pay current prices that have increased significantly since supplies were ordered. Some aged supplies are available in the resale trade for the good feed interest.

**EAST:** Prices and the market tone are unchanged. Production levels remain heavy and are expected to stay that way through much of June. Producers are concerned about the upcoming Memorial Day weekend as this year is stacking up to be one of busiest Memorial Days in many years. As one contact put it, "this is like a good, old-fashion Memorial Day. Milk is all over the place and plants are full." Drying facilities in the East and Southeast are stretching their capacities as much as they can to process all the milk. Producer stocks are growing, but most of the output is already committed to customers. Little spot sale activity is noted direct from the producer. Demand is generally good for domestic and export sales.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .9450 - 1.0100 MOSTLY: .9750 - .9850  
 HIGHHEAT: .9800 - 1.0950

**NONFAT DRY MILK - WEST**

Western low/medium heat NDM prices are mostly steady to slightly higher following declines last week. The market tone is steadier than past weeks. Producers are trying to balance supplies with current needs. Demand is fair for contract sales with good volume movement. Some buyers are pushing loads or deliveries off to later with the expectations that prices could be lower. Cheese buyers are not using as much NDM in fortifying. Export shipments of NDM and SMP are lower. Production is seasonally active with most plants running at or near capacity. Milk production is slightly off the seasonal peak but more milk is expected to be balanced over the holiday weekend. Stocks are light to moderate. From January to March, exports of NDM totaled 98,221 MT (216.5 million pounds), compared to 27,349 MT (60.3 million pounds) a year ago. Western high heat NDM prices are unchanged. The market tone has firmed with improved demand and diminished supplies. Producers often do not have enough powder to fill commitments and are shorting some customers. Production is lower than expected as milk needs to be processed. Some producers are looking at ways to make more high heat. Inventories remain light.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .9175 - .9700 MOSTLY: .9375 - .9500  
 HIGHHEAT: .9500 - .9800

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
May 20	\$.9181	6,933,978	0
May 13	\$.9193	8,606,007	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices are unchanged and nominal on a market that is trending steady at best. With heavier supplies of milk and cream, butter churns are active and producing increasing amounts of condensed buttermilk. Since ice cream manufacturers are not producing at seasonally strong levels, less condensed buttermilk is clearing into ice cream facilities and more condensed buttermilk is being dried. Alternatives to Central region buttermilk are available, especially as Western prices trend below the Central region and NDM markets are reported at competitive prices. Producers note that stocks are building yet they are not aggressively pursuing sales as stocks are expected to be required for contractual use later in the year.

F.O.B. CENTRAL: .9600 - 1.0500

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices steady to lower and the market tone is slightly weaker. The heavy production levels and steady demand are growing inventories at some plants. The lower offering prices are stimulating a little more interest, but not enough to clear all the output. Churning activity remains heavy and sales of condensed buttermilk are improving slowly, which is easing the pressure on dryers.

F.O.B. NORTHEAST: .9300 - .9700  
 DELVDSOUTHEAST: .9500 - 1.0000

**DRY BUTTERMILK - WEST**

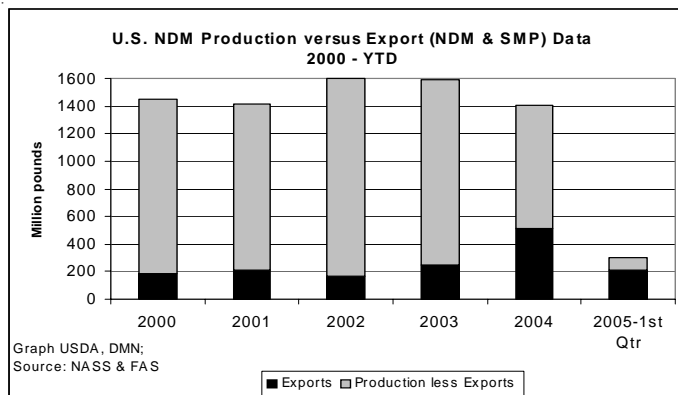
Dry buttermilk prices are mostly steady in light trading in the Western region. The market tone remains unsettled with extra buttermilk available from some suppliers. Regular contracts and spot sales are moving loads, but the increased production beyond projections is creating more powder. To clear the extra, producers are looking to export stocks at pricing at or below the bottom of the range. There is some thought to keeping the powder for later needs as milk supplies and fat contents of milk decline seasonally. Overall, domestic demand is picking up slowly. Condensed interest is limited. Dry stocks are light to moderate.

F.O.B. WEST: .9000 - .9600 MOSTLY: .9000 - .9100

**DRY WHOLE MILK - NATIONAL**

Prices and the market tone are unchanged. Prices remain nominal. Production levels are light and generally geared to filling orders. Most dryers are too pressed to clear skim and have little time for dry whole milk output. Plant inventories remain light and demand is unchanged. Reports indicate that imported whole milk powder is available at prices slightly below the bottom of the range.

F.O.B. PRODUCING PLANT: 1.2700 - 1.4000



**WHEY, CASEIN & EVAPORATED MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY - CENTRAL**

Prices are unchanged to higher on Extra Grade whey. Milk replacer prices are unchanged and nominal. The market tone is steady to firm. Most trade is occurring on contracts or in the resale market. Some producers are wary of higher prices in the Central region as continued increases may deter movement into export markets. Traders are less reserved and speculating prices higher in the short-term. Production is steady to seasonally higher with most supply increases earmarked for regular contracts. Feed users are less apt to use whey in diluting high protein supplies and look to more price attractive commodities such as permeate or lactose. Milk replacer quality whey supplies are limited for the good feed interest. April veal production totaled 13.0 million pounds, 7% below April a year ago. Calf slaughter totaled 61,600 head, down 13% from April 2004. The average live weight was 23 pounds above last year, at 353 pounds. April pork production totaled 1.70 billion pounds, down 1% from the previous year. Hog kill totaled 8.44 million head, 2% below April 2004. The average live weight was 3 pounds above the previous year, at 271 pounds.

F.O.B. CENTRAL: .2550 - .2725 MOSTLY: .2550 - .2625  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2425 - .2475

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are again fractionally higher and the market tone is a little firmer. Producers report moderate to heavy output, but still limited supply. Most have contracts, which are clearing their production almost as soon as it is made. Few spot sales are noted direct from producers. Demand is improving now that prices seem to be climbing. This is a typical reaction after such a long period of relative price stability. However, the falling cheese prices at the CME may have an impact on production decisions. Conversely, distressed-priced milk is common and some cheese makers are taking advantage of these below-Class prices. Plant stocks remain light. At this time of plenty, some users and traders are making decisions about inventory build up. Many expect tightness through the late summer and don't want to be caught short, but storing "twenty-five-cent" whey is rare. Demand for both export and domestic use is good.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2600 - .2800  
DELVD SOUTHEAST: .2800 - .2975

**DRY WHEY - WEST**

Western whey prices range from steady to fractionally higher. Some offering prices are above the range, but no confirmed sales are noted. There continues to be a firm undertone to the market. Some exporters note that there is getting to be more price resistance, but there are no other sources in the world at this time that can deliver whey any cheaper than from the U.S. Some importers are looking for cheaper substitutes for imported whey. Some domestic buyers are concerned about fall availability of whey powder. The issue is that with prices continuing to increase during the spring flush of milk they are wondering what prices and offerings may look like in the fall when milk supplies will be much tighter. U.S. whey exports during the first three months of 2005 total 108.7 million pounds, up 39% from the same time frame in 2004. The top five destinations and their tonnages are: China, 32.7 million pounds; Japan, 15.2 million pounds; Canada, 11.8 million pounds; Korea, 10.4 million pounds; and Thailand, 8.3 million pounds.

NONHYGROSCOPIC: .2800 - .3025 MOSTLY: .2850 - .2950

**EVAPORATED MILK - NATIONAL**

The market remains highly competitive and prices steady. The market tone is still unsettled. Production levels are often heavier as surplus milk volumes reach excessive proportions in most of the country. Demand for canned evaporated milk is seasonal. The Kansas City Commodity office announced the award of indefinite quantity contracts for evaporated milk under EVD-1, invitation 840 for delivery July - September 2005. The award is for 4,516,560 pounds at prices ranging \$0.3928-\$0.5793 per pound.

CORRECTION: Last week's price range should have been \$19.50 - 30.00. We inadvertently used the price for 24-can cases instead of the 48-can case. We are sorry for any inconvenience this may have caused.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.50 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are unchanged to higher on a firm market. Trade activity is very light with most movement occurring on a contractual basis. Importers in Asia and Mexico report that supplies of WPC 80% are available as a competitive substitute to WPC 34%. Loads of aged NDM are also readily available to some feed manufacturers as a suitable substitute to 34% WPC. Resale supplies are available at significant premiums for the very light interest. Production is steady to higher and inventories are tight. During the first quarter of 2005, WPC 34% exports increased 35.3% whereas WPC 80% exports decreased 34.8% compared to the same period in 2004. Mexico (7,704,636 lbs), China (2,851,870 lbs), Canada (1,761,255 lbs) Japan (1,514,560 lbs), and Brazil (950,403 lbs) were the predominant markets for WPC 34%. The predominant markets for WPC 80% for the first quarter in 2005 were Canada (1,285,061 lbs), Mexico (819,450 lbs), Japan (421,740 lbs), and China (357,145 lbs). Of notable interest was the increased movement of WPC 34% but decreased movement of WPC 80% into Canada and China compared respectively to the year prior. Exports (WPC 34% and 80%) accounted for 28.8% of production (WPC 25.0-89.9% protein) during first quarter.

F.O.B. EXTRA GRADE 34% PROTEIN: .8650 - .9200 MOSTLY: .8650 - .8950

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged on a steady to firm market. Inquiries for third quarter persist with most manufacturers deferring requests until the latter part of June. Most movement is contractual with spot sales reported as light to fair. Interest from feed users is increasing as buyers opt to store lactose instead of permeate over the summer months due to potential hygroscopicity problems with permeate. As a competitive substitute to lactose and expected increased production, traders speculate that permeate supplies may hinder lactose price movement this fall. During the first quarter of 2005, lactose exports increased 32.4% compared to the same period in 2004. Japan (15,367,030 lbs), China (8,101,464 lbs), Mexico (4,759,511 lbs) and Vietnam (3,056,898 lbs) are the predominant markets. Movement exceeding 500,000 lbs during this period was also noted into Brazil, Canada, Korea, the Philippines, Taiwan, Thailand, and Australia. Exports accounted for 25.3% of production during the first quarter.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1700 - .2100 MOSTLY: .1700 - .1925

**CASEIN - NATIONAL**

Casein markets remain firm at unchanged prices. The supply/demand situation is little changed from recent weeks. Oceania stocks are in close balance to short and their production season has ended. In Europe, casein production is reported as quite strong. Milk volumes are being directed toward casein and cheese production while away from powders. The major topic of discussion this week was the announcement by CCC that invitation #045 to sell 4 million pounds of government owned nonfat dry milk for production of casein/caseinate would be the last solicitation until further notice. This decision was based on the current level of CCC owned nonfat. CCC does not anticipate the availability of NDM for this program for fiscal year 2006. The most recent accepted bid was at \$.5811 per pound. Results of invitation #045 will be released on May 26. Many participants, especially those that expended capital or who recently became involved, were disappointed that less than 70 million pounds of powder came back to the trade under this program. Especially, when they reference a notice (D&DOD-119) to the Dairy Industry on May 10, 2002, which stated that CCC would make available up to 300 million pounds of NDM, 24 months or older, for casein or casinate production as long as stocks are available. Producers and importers state that discontinuance of this program will further tighten casein availability for domestic needs.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.2700 - 3.4500  
ACID: 3.2700 - 3.4000

**EVAPORATED MILK - NATIONAL (see adjacent column)**

**CHICAGO MERCANTILE EXCHANGE FUTURES**Selected settling prices, (open interest), and volume 1/

Month	05/11	05/12	05/13	05/16	05/17	05/18	05/19	05/20	05/23	05/24
<b>CME - (CLASS III) MILK FUTURES -- Dollars per cwt</b>										
MAY 05	13.63 (2881) 17	13.68 (2850) 19	13.68 (2839) 51	13.71 (2836) 7	13.72 (2853) 66	13.71 (2842) 29	13.72 (2854) 46	13.72 (2858) 22	13.72 (2868) 29	13.71 (2873) 6
JUN 05	13.30 (3260) 522	13.74 (3246) 255	13.86 (3276) 503	14.16 (3352) 335	14.08 (3350) 134	14.16 (3377) 252	13.84 (3363) 188	13.84 (3349) 164	13.55 (3289) 209	13.55 (3261) 221
JUL 05	13.52 (2639) 223	14.05 (2660) 211	14.06 (2672) 257	14.12 (2677) 188	13.93 (2689) 40	13.99 (2666) 146	13.75 (2652) 107	13.75 (2635) 108	13.50 (2672) 231	13.69 (2661) 74
AUG 05	13.90 (2542) 100	14.25 (2568) 47	14.16 (2568) 108	14.17 (2595) 133	13.98 (2619) 52	14.06 (2602) 65	13.91 (2609) 40	13.95 (2660) 95	13.86 (2680) 70	14.01 (2701) 52
SEP 05	14.08 (2503) 59	14.30 (2508) 22	14.25 (2496) 62	14.35 (2501) 63	14.13 (2517) 38	14.15 (2498) 121	14.01 (2516) 38	14.03 (2518) 48	14.03 (2516) 33	14.13 (2531) 26
OCT 05	13.65 (1870) 65	13.72 (1870) 11	13.65 (1873) 21	13.65 (1878) 43	13.60 (1877) 12	13.65 (1877) 0	13.65 (1876) 8	13.65 (1872) 21	13.65 (1876) 22	13.68 (1881) 28
NOV 05	13.29 (1535) 11	13.35 (1535) 12	13.31 (1539) 9	13.31 (1539) 37	13.31 (1541) 6	13.35 (1542) 5	13.35 (1545) 13	13.35 (1546) 24	13.35 (1548) 16	13.36 (1542) 16
DEC 05	13.11 (1375) 22	13.11 (1376) 8	13.10 (1382) 13	13.12 (1377) 31	13.12 (1377) 15	13.13 (1378) 14	13.10 (1376) 6	13.08 (1380) 7	13.09 (1384) 18	13.08 (1386) 2
JAN 06	12.86 (559) 3	12.86 (564) 11	12.89 (566) 4	12.90 (587) 31	12.99 (596) 10	12.99 (596) 0	12.99 (597) 7	12.96 (598) 1	12.89 (601) 3	12.89 (602) 1
FEB 06	12.70 (462) 1	12.68 (467) 5	12.67 (471) 6	12.67 (488) 38	12.73 (491) 12	12.73 (492) 2	12.73 (494) 6	12.78 (494) 0	12.65 (497) 13	12.74 (497) 0
MAR 06	12.73 (458) 6	12.70 (462) 10	12.68 (466) 6	12.68 (482) 29	12.69 (485) 10	12.69 (485) 0	12.69 (487) 5	12.73 (487) 1	12.68 (491) 14	12.73 (491) 0
APR 06	12.65 (387) 12	12.65 (388) 4	12.65 (391) 4	12.67 (404) 16	12.68 (413) 13	12.70 (413) 0	12.70 (412) 7	12.70 (415) 3	12.70 (416) 2	12.75 (417) 1
MAY 06	12.70 (414) 8	12.68 (420) 7	12.72 (420) 6	12.75 (433) 15	12.76 (434) 4	12.76 (434) 1	12.76 (437) 3	12.76 (437) 0	12.76 (443) 10	12.85 (451) 8
JUN 06	12.75 (351) 6	12.75 (352) 5	12.75 (350) 5	12.76 (359) 19	12.76 (366) 7	12.82 (366) 0	12.82 (367) 3	12.82 (368) 6	12.85 (372) 10	12.90 (375) 3
JUL 06	12.77 (226) 4	12.79 (232) 7	12.83 (234) 2	12.90 (243) 12	12.93 (246) 3	13.00 (251) 5	13.00 (254) 5	13.00 (254) 11	13.00 (256) 2	13.00 (257) 1
AUG 06	13.18 (195) 1	13.00 (196) 1	13.01 (201) 7	13.10 (212) 13	13.10 (217) 5	13.10 (222) 7	13.05 (227) 5	13.15 (243) 18	13.15 (251) 14	13.15 (251) 1
SEP 06	13.28 (181) 7	13.28 (182) 1	13.28 (185) 4	13.28 (193) 11	13.28 (194) 5	13.28 (202) 8	13.28 (203) 9	13.29 (210) 18	13.30 (218) 8	13.35 (220) 2
OCT 06	12.84 (200) 12	12.84 (201) 1	12.84 (202) 1	12.89 (207) 5	12.89 (211) 4	12.88 (216) 5	12.88 (220) 6	12.92 (234) 22	12.97 (234) 2	12.97 (235) 1
NOV 06	12.70 (185) 4	12.70 (186) 1	12.70 (186) 1	12.75 (194) 8	12.75 (195) 1	12.75 (196) 1	12.75 (199) 3	12.75 (210) 11	12.75 (210) 2	12.75 (210) 0
<b>CME - (CLASS IV) MILK FUTURES - Dollars per cwt.</b>										
JUL 05	12.75 (22) 0	12.75 (22) 0	12.75 (22) 0	12.75 (22) 0	12.75 (22) 0	12.75 (22) 0	12.75 (22) 0	12.75 (22) 0	12.75 (22) 0	12.75 (22) 0
AUG 05	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0
SEP 05	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0	13.20 (22) 0
NOV 05	13.20 (1) 0	13.20 (1) 0	13.20 (1) 0	13.20 (1) 0	13.20 (1) 0	13.20 (1) 0	13.20 (1) 0	13.20 (1) 0	13.20 (1) 0	13.20 (1) 0
<b>CME - BUTTER FUTURES -- Cents per pound</b>										
MAY 05	137.00 (66) 2	140.75 (66) 3	143.00 (61) 0	143.00 (36) 0	143.00 (33) 17	146.50 (31) 4	146.98 (31) 1	146.98 (21) 0	146.98 (19) 0	146.98 (9) 0
JUL 05	141.50 (458) 14	142.75 (466) 13	143.75 (460) 21	146.00 (455) 22	146.00 (457) 11	148.00 (465) 13	147.50 (466) 5	145.00 (473) 24	143.50 (475) 10	143.75 (476) 14
SEP 05	143.50 (430) 5	145.50 (431) 5	146.55 (431) 4	148.50 (438) 14	148.00 (440) 9	150.00 (440) 0	150.00 (439) 1	148.00 (451) 19	146.50 (448) 3	146.50 (449) 6
OCT 05	145.00 (212) 2	146.00 (214) 2	146.50 (216) 3	148.50 (222) 9	149.00 (225) 5	150.50 (226) 1	150.50 (226) 0	150.50 (234) 14	147.50 (240) 10	147.75 (245) 10
DEC 05	145.00 (45) 0	145.50 (45) 1	146.00 (45) 0	146.50 (46) 1	149.00 (46) 0	149.00 (46) 0	149.00 (46) 0	149.00 (46) 2	147.50 (46) 0	148.00 (45) 3

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.



## INTERNATIONAL DAIRY MARKET NEWS

Information gathered May 16 - 27, 2005

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

## WESTERN AND EASTERN EUROPE

**WESTERN EUROPEAN OVERVIEW:** European milk production is basically at peak levels, with some milk handlers indicating that the peak is past. Milk receipts at some plants are already trending slightly lower. Early, unofficial milk reports indicate that overall EU milk volumes are running 1-2% over last year at this time. Usually, peak levels are attained around the end of May, thus the 2005 season is following previous year timelines. Weather conditions during the spring have been mixed with most areas reporting cool temperatures, but moisture conditions varied from dry to wet. Within recent days, temperatures have warmed and are now more in line with where they should be for this time of the year. Milk volumes are causing most manufacturing plants to maintain peak production schedules, although milk volumes are being redirected toward some products and away from others when possible. This year, milk powder production is not as strong with casein and cheese production heavier. Milk diversions away from milk powders are causing unsettledness among some end users, especially the internal calf feed industry. Feed buyers are returning to the market to position themselves for needs later in the summer and fall, thus prices are higher. Outside of this spurt in buyer interest, traders and handlers state that other domestic or international buyer interest is very light and unaggressive. International buyers continue to hold off knowing that export licenses are very limited through the end of June and post June sales negotiations are limited due to the uncertainty of refunds after July 1. Another factor limiting powder sales is price resistance. Minimal volumes of skim milk powder and butter continue to be offered to intervention. Since March 1 and through May 22, 4,925 MT of skim milk powder and 26,450 MT of butter have been offered to intervention. During the most recent EU Dairy Management Committee meeting, common refunds for skim milk powder were reduced by 46% to 150 Euros and whole milk powder refunds were reduced to 546 (16%).

**BUTTER/BUTTEROIL:** European butter markets and prices are generally steady. Churning activity is seasonally strong, although milk continues to be diverted away from some butter/powder operations when possible. Stocks of butter are available for immediate need. Some butter continues to clear to intervention, but these offerings have slowed. During the period of March 1 - May 22, 26,450 MT of surplus butter have been offered to intervention. This total compares to 23,459 MT for a comparable period last year and 31,614 MT two years ago. Recent offerings have slowed and producers and handlers feel that the intervention ceiling of 60,000 MT will not be attained during the open season.

82% BUTTERFAT:	1,850 - 2,050
99% BUTTERFAT:	2,350 - 2,500

**SKIM MILK POWDER (SMP):** Skim milk powder markets are steady to firm. Prices are unchanged to higher. Just in recent days, a very firm tone developed within the European market. Much of this strength is being attributed to the uncertainty of supply/availability later this summer and fall, especially after July 1. Some European traders are actively seeking commitments from suppliers, although no known customers or delivery details are being provided. Much of this concern is centered around the diversions of milk away from powder production. Skim milk powder stocks are not heavy and very little is clearing to intervention. During the period of March 1 - May 22, 4,925 MT of powder have been offered, trailing last year comparable total of 9,519 MT and lower than 2003 levels of 43,000 MT. International buyer interest remains light and unaggressive. Minimal export license remain until the end of June and the unknown facts after July 1 are the two major factors.

1.25% BUTTERFAT:	2,300 - 2,400
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**WHOLE MILK POWDER (WMP):** Whole milk powder markets are firm with prices unchanged to slightly higher. Although whole milk powder production should be in full swing at this time of the season, this year, this is not the situation. Reports indicate that milk is being diverted away from powder production and clearing to casein and cheese production when possible. This has many traders and potential buyers concerned. Stocks of whole milk powder are available, but there is no buyer interest. Traders and handlers anticipate demand will improve once July 1 rolls around and current unknown factors will then be known.

26% BUTTERFAT:	2,250 - 2,350
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**SWEET WHEY POWDER:** Whey markets and prices remain firm. Internal animal feed buyers are very active in the market. Stocks of whey are available for immediate buyer interest, especially with cheese production stronger than usual for this time of the season. International buyer interest continues to be reported, although buyers remain resistant to the higher than desired asking prices. Traders and handlers state that although European prices are firm, they feel that the firm trend will continue.

NONHYGROSCOPIC:	650 - 800
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**EASTERN EUROPEAN OVERVIEW:** Milk production continues to increase toward seasonal peak levels in most Eastern European countries. Temperatures have been cool and moisture has been limited. Milk handlers and processors indicate that spring development conditions run a few weeks behind Western trends, thus they remain optimistic that the spring peak will be equally as positive. Eastern European manufacturers indicate that sales activity has been and remains slow. Some very recent buyer inquiry from Western European buyers/traders is the most activity that many have experienced thus far this season. Much of this inquiry has been for supply commitments for post June needs, but end users are still unknown.

## OCEANIA

**OCEANIA OVERVIEW:** The milk production season in Oceania continues to wind down. The milk production year in New Zealand will conclude at the end of May, with preliminary annual output estimates trailing last year by 3-4%. A slight up-tick in production did occur at the end of the season, although not significant enough to reduce the decline as much as hoped. In Australia, milk volumes are also declining as their milk production season has one more month to go before the official end of the year. Most recent production figures (9 months) indicate that output is still trailing last year by 0.3%, although reports for some regions, especially Victoria, indicate that late season strength is helping narrow the negative gap. Lack of moisture in Australia continues to be a concern for many producers. Due to this, some farmers and processors are already preparing for another tough year. Manufacturing schedules in both New Zealand and Australia are also sharply lower. In New Zealand, with milk volumes at or nearing seasonal low levels, most plants are now close for the next few months with year round bottling operations maintaining steady schedules. Australian operations are winding down and are basically on track with last year at this time. Stocks of manufactured dairy products remain short of full needs. Suppliers and handlers indicate that they will basically be fully cleaned out once the new milk production season returns, thus, most will not have any surplus product available for spot or additional late season buyer interest. Some suppliers state that they will be tapping into ongoing multi-origin supply sources to round out the sales year, while others are looking at committing some of next season's stock already.

**BUTTER:** Butter markets are generally steady at unchanged prices, although seasonal production increases in Europe are putting downward pressure on Oceania prices. Oceania's milk production season is near the end, thus butter manufacturing schedules are also declining quite rapidly. In New Zealand, the season has basically ended with commitments being filled from inventoried stock. In Australia, butter continues to be generated, although these production schedules are declining at a steady/weekly basis. For the first 8 months (July - April), butter production in Australia is 0.6% ahead of last year. Although cumulative butter output in Australia is ahead of last year, traders and handlers continue to indicate that stocks are limited and often short of desired needs. Handlers and suppliers in both New Zealand and Australia continue to state that they do not foresee having any butter stocks available for spot or additional buyer interest at season's end.

82% BUTTERFAT:	1,900 - 2,350
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**CHEDDAR CHEESE:** Oceania cheese markets remain firm with prices basically unchanged. The recent EU subsidy cut is also helping maintain firm Oceania pricing. Seasonal milk production is coming to an end in Oceania, thus cheese production is also sharply lower. For the most part, New Zealand's season has ended with Australia not far behind. Stocks of cheese are in close balance to limited, although traders and handlers feel that they will be able to acknowledge their commitments during the upcoming winter season.

39% MAXIMUM MOISTURE:	2,650 - 3,000
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**SKIM MILK POWDER (SMP):** Oceania skim milk powder markets are generally steady, although a strong start to the European production season is putting downward pressure on Oceania quoted prices. The milk production season is nearing the end thus drying operations are realizing lighter volumes of milk on a weekly basis. Some dryers are already down for the season with others drying at reduced levels. Stocks of powder remain short of desired needs and some suppliers and handlers will be reaching to multi-origin supply sources to round out sales commitments. Most Oceania suppliers indicate that they will have minimal, if any, powder available for spot buyer interest.

1.25% BUTTERFAT:	2,100 - 2,250
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**WHOLE MILK POWDER (WMP):** Whole milk powder markets are steady at unchanged prices. Whole milk powder production is nearing low levels as Oceania milk production is at or very near seasonal low levels. Stocks of powder are in close balance to often short of full needs. Some Oceania suppliers indicate that they will probably need to source some additional volumes from other international sources to fulfill commitments.

26% BUTTERFAT:	2,150 - 2,300
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Exchange rates for selected foreign currencies: May 23, 2005

.7948 Canadian Dollar	.0230 Indian Rupee
.3468 Argentina Peso	.7107 New Zealand Dollar
.0912 Mexican Peso	.7597 Australian Dollar
.3011 Polish Zloty	.0093 Japanese Yen
	1.2587 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0912)= 10.9649 That is 1 US Dollar equals 10.9649 Mexican Pesos.

Source: "Wall Street Journal"



## MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

## U.S. HOLDINGS OF DAIRY PRODUCTS

COMMODITY	MAR 31, 2003	MAR 31, 2004	REVISED MAR 31, 2005	APR 30, 2003	APR 30, 2004	APR 30, 2005
Butter	244,958	158,118	132,460	263,735	155,718	163,426
Cheese, Natural American	530,798	520,803	518,400	534,718	526,389	548,499
Cheese, Swiss	25,323	23,277	22,361	25,801	26,910	21,055
Cheese, Other Natural	215,154	215,466	200,978	220,586	214,269	203,103
Total Cheese	771,275	759,546	741,739	765,632	767,568	772,657

## U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS

Butter	2,576	602	276	5,089	400	209
Natural American Cheese	1,602	9,615	1,504	2,974	9,691	1,843

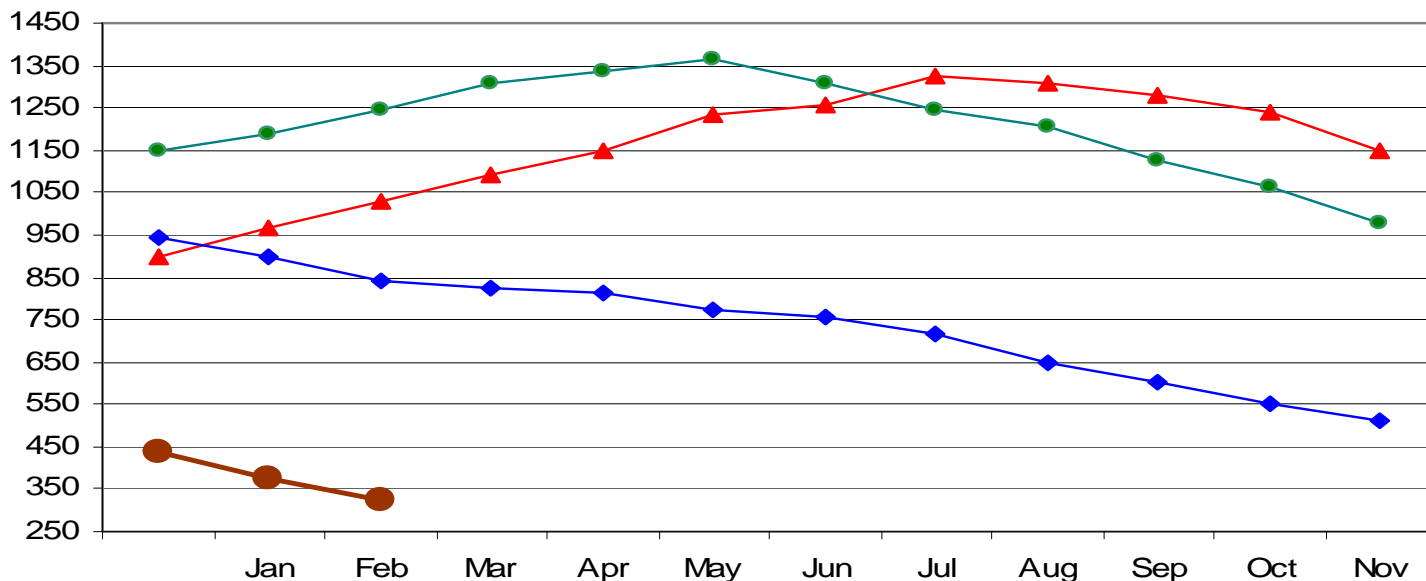
## APRIL STORAGE HOLDINGS BY REGION

REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
New England	21,422	24,490	22,667	---	---	---	204	381	280
Middle Atlantic	60,470	54,318	52,399	---	---	---	17,260	16,642	9,556
East North Central	218,136	207,394	219,153	---	---	---	129,114	125,766	120,048
West North Central	121,113	113,133	126,753	---	---	---	55,927	52,692	53,500
South Atlantic	118	7,027	3,610	---	---	---	1,748	207	106
East South Central	269	195	275	---	---	---	1,834	2,458	2,415
West South Central	1,372	2,173	2,146	---	---	---	208	132	137
Mountain	13,946	25,848	36,555	---	---	---	1,678	3,774	6,540
Pacific	97,872	91,811	84,941	---	---	---	12,613	12,217	10,521
TOTAL	534,718	526,389	548,499	263,735	155,718	163,426	220,586	214,269	203,103

\*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

MILLION POUNDS

## NDM STORAGE HOLDINGS



NASS DATA, GRAPH BY DMN

▲ 2002 ● 2003 ◆ 2004 ● 2005

## COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2004 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	Million Pounds						Million Pounds						Million Pounds					
January	77	152	77	151	<u>3/</u>	1	479	518	475	508	4	10	440	945	83	109	357	836
February	111	159	111	158	<u>3/</u>	1	497	533	494	523	3	10	374	896	79	95	296	800
March	132	158	132	158	<u>3/</u>	1	518	521	517	511	2	10	322	841	85	80	236	761
April	163	156	163	155	<u>3/</u>	<u>3/</u>	548	526	547	517	2	10		826		104		723
May		179		178	<u>3/</u>			559		549		10		814		123		691
June		189		189	<u>3/</u>			591		582		9		774		146		628
July		194		193	<u>3/</u>			616		609		7		755		161		594
August		161		161	<u>3/</u>			569		562		7		716		149		567
September		133		133	<u>3/</u>			554		547		6		650		127		523
October		107		107	<u>3/</u>			528		521		7		602		116		486
November		57		57	<u>3/</u>			481		476		5		552		94		458
December		45		45	<u>3/</u>			481		476		5		512		99		413

NA = Not available.

1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Mar 31, 2003	Mar 31, 2004	Mar 31, 2005	Apr 30, 2003	Apr 30, 2004	Apr 30, 2005
	Thousand Pounds					
Butter	242,382	157,516	132,184	258,646	155,318	163,217
Natural American Cheese	529,196	511,188	516,896	531,744	516,698	546,656

1/ Total holdings minus Government owned holdings. For more information, see page 9 of this report.

**SOURCE:** "Cold Storage," Co St 1 (5-05) and "Dairy Products," Da 2-6 (5-05), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

## FEDERAL MILK ORDER ADVANCE PRICES, JUNE

**Class I Base Price** - Under the Federal milk order pricing system, the Class I base price for June 2005 is \$13.62 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$8.58 and the advanced butterfat pricing factor is \$1.5266. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information** - The advanced Class IV skim milk pricing factor is \$7.03. Thus, the Class II skim milk price for June is \$7.73 per cwt., and the Class II nonfat solids price is \$0.8589. **Product Price Averages** - The two-week product price averages for June are: butter \$1.3872, nonfat dry milk \$0.9287, cheese \$1.4612, and dry whey \$0.2597.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <sup>1/</sup> <sup>2/</sup>				
Federal Milk Order Marketing Area <sup>3/</sup>	Order Number	June 2005		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) <sup>4/</sup>	001	16.87	11.83	1.5591
Appalachian (Charlotte) <sup>5/</sup>	005	16.72	11.68	1.5576
Southeast (Atlanta) <sup>6/</sup>	007	16.72	11.68	1.5576
Florida (Tampa) <sup>7/</sup>	006	17.62	12.58	1.5666
Midwest (Cleveland) <sup>8/</sup>	033	15.62	10.58	1.5466
Upper Midwest (Chicago) <sup>9/</sup>	030	15.42	10.38	1.5446
Central (Kansas City) <sup>10/</sup>	032	15.62	10.58	1.5466
Southwest (Dallas) <sup>11/</sup>	126	16.62	11.58	1.5566
Arizona-Las Vegas (Phoenix) <sup>12/</sup>	131	15.97	10.93	1.5501
Pacific Northwest (Seattle) <sup>13/</sup>	124	15.52	10.48	1.5456
All-Market Average		16.27	11.23	1.5531

<sup>1/</sup> To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. <sup>2/</sup> Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. <sup>3/</sup> Names in parentheses are the major city in the principal pricing point of the markets. <sup>4/</sup> Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. <sup>5/</sup> Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90. <sup>6/</sup> Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90. <sup>7/</sup> Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30. <sup>8/</sup> Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. <sup>9/</sup> Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. <sup>10/</sup> Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver plus \$0.55. <sup>11/</sup> Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. <sup>12/</sup> Class I price at Las Vegas is minus \$0.35. <sup>13/</sup> Class I prices at other cities are: Portland, same; and Spokane, same.

## THE DAIRY OUTLOOK

### 2006 Milk Production Expansion To Outstrip Demand Growth

Milk and dairy product prices are expected to fall again in 2006. Expansion in milk production is projected to accelerate after more than 2 years of relatively strong returns. Production growth is expected to surpass demand gains (particularly for skim solids), leading to the lower prices. Even so, farm milk prices are projected to stay considerably above the low prices of 2002-03.

The strong returns of late 2003 through early 2005 and the expected good returns for the rest of 2005 have generated strength in milk cow numbers. Relatively few farmers have exited dairying because recent returns have bolstered their staying power, a pattern that is likely to continue through 2006. Meanwhile, the number of producers wishing to add substantial new facilities probably has risen considerably, following a 2-year rest after the last expansionary surge. However, continued tight replacement heifer markets, likely tight alfalfa supplies in the Northwest, the generally lackluster prospects for dairy quality forage, and the lengthening time needed for governmental approvals probably will inhibit expansions during the rest of 2005. By 2006, the effects of these problems should lessen.

Milk cow numbers are expected to stay near early 2005 levels during the rest of this year, before drifting higher as 2006 progresses. If so, 2006 milk cow numbers would average about unchanged, following a very small fractional decrease in 2005.

Milk per cow should continue to recover in 2006. Incentives for heavy concentrate feeding will remain quite favorable. Milk per cow is projected to grow more than 2 percent in 2006, slightly faster than 2005's expansion. However, such increases may hinge on the availability of good 2005 forage in light of the apparently very tight stocks of high quality hay at the start of the current forage year.

Gains in demand for dairy products are expected to be fairly substantial. Growth in the economy and consumer income is forecast to stay good. Consumer debt may be the most vulnerable point. Demand could soften if interest rates rise more than currently expected, forcing reductions in expenditures for consumption.

Export demand for nonfat dry milk is projected to stay good through at least most of 2006. New Zealand milk production may rebound in its 2005/06 season, and European export supplies could creep larger if milk production returns to quota levels. However, Australian output probably will be stagnant even if the current dry conditions do not worsen. Continued strong demand for milk powders is likely to readily absorb the small increase in other exporters' supplies, and substantial amounts of U.S. powder probably will be needed to meet import needs.

Farm milk prices are projected to fall more than \$1 per cwt in 2006, following a slightly smaller decrease this year. Although 2006 prices are expected to be much lower than the 2004 record, they are projected to be near the 2000-04 average. Healthy demand likely will remain the key to absorbing record output at such relatively favorable prices.

**SOURCE:** "Livestock, Dairy, and Poultry Outlook", LDP-M-131, May 19, 2005, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.



CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE <sup>1/</sup>

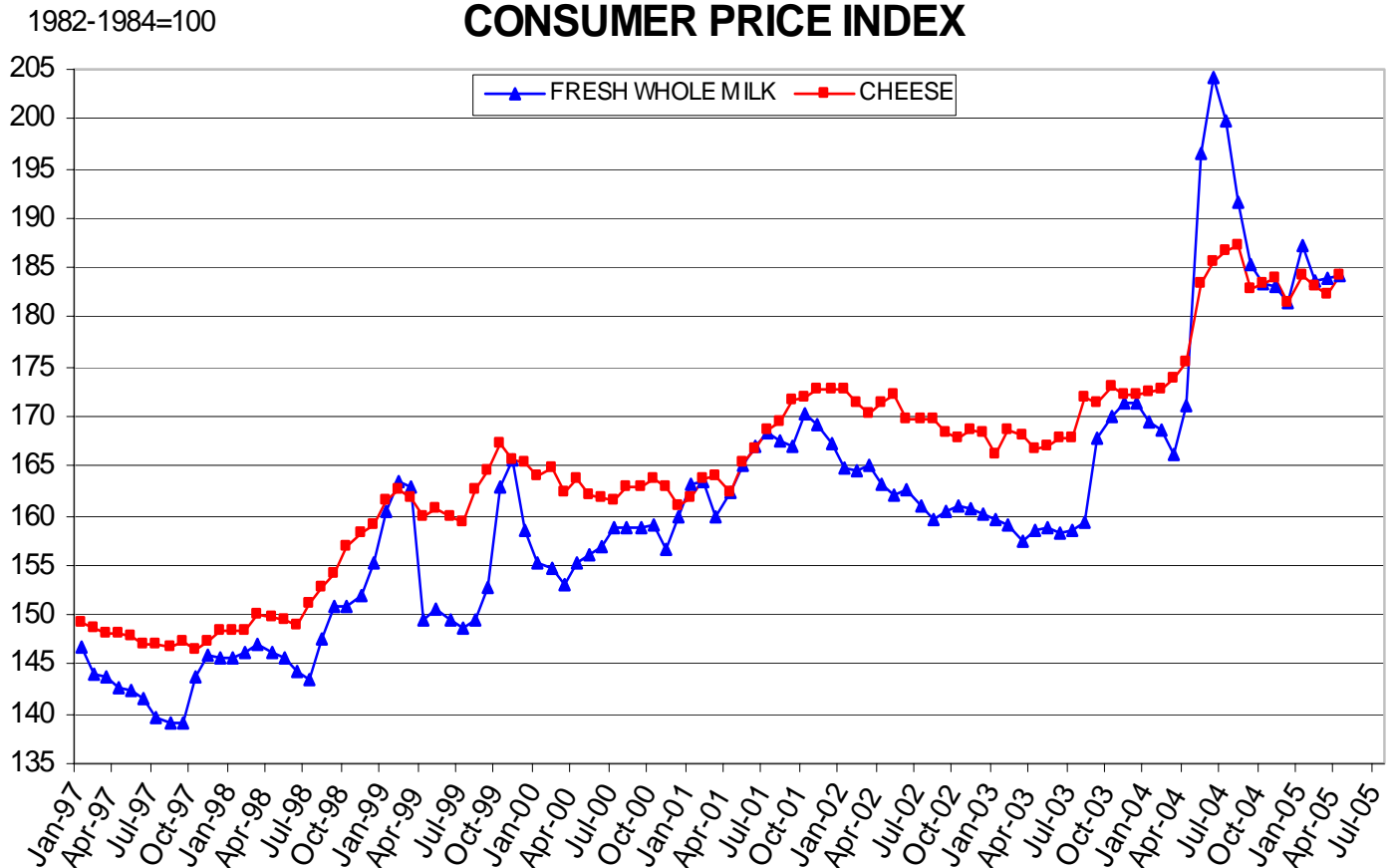
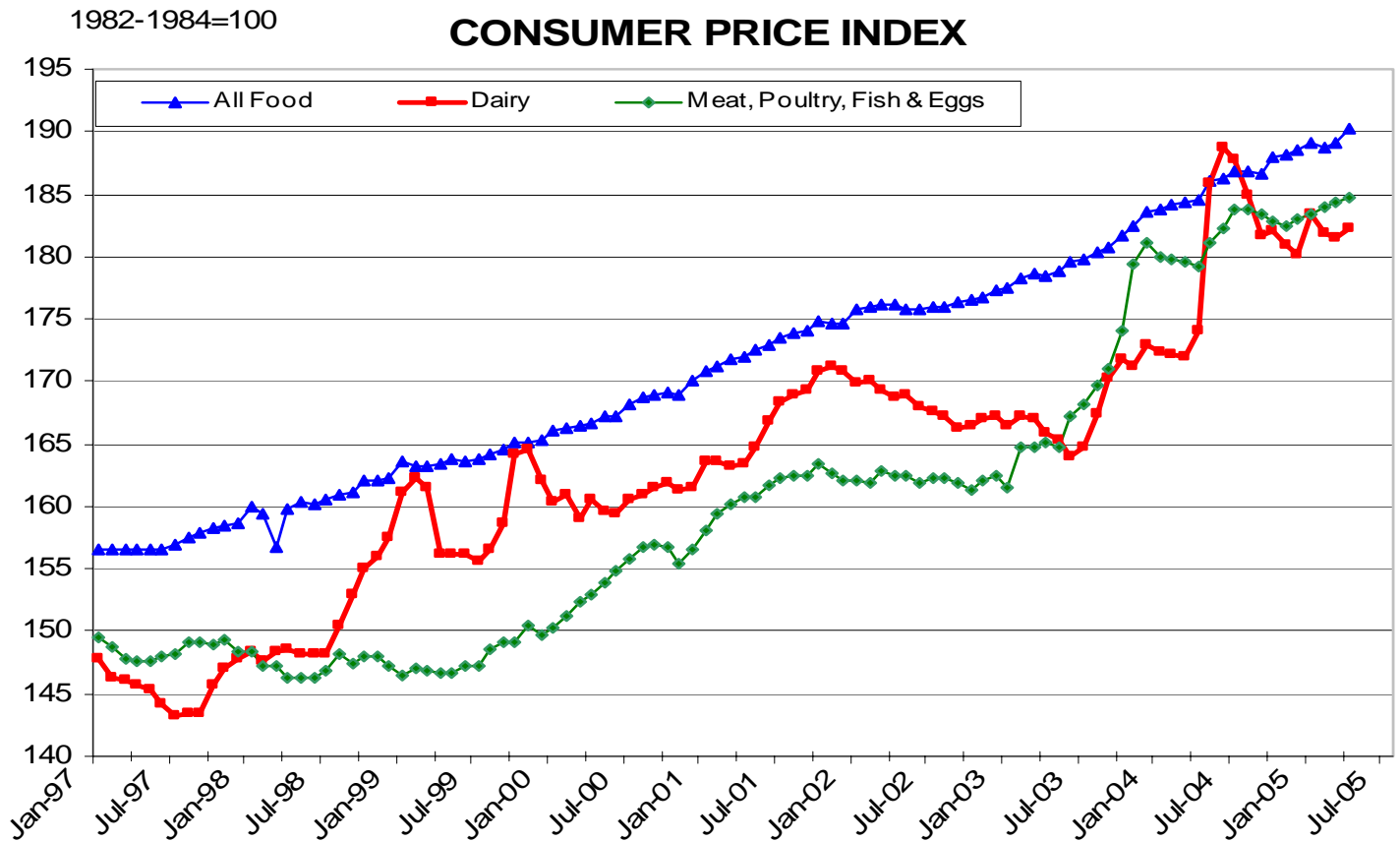
Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish and Eggs	
	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>
FEB 2005	188.8	2.6	181.8	5.6	183.6	9.0	183.1	6.1	193.8	25.2	183.9	2.3
MAR 2005	189.1	2.5	181.4	5.5	183.9	10.6	182.4	4.9	185.0	5.8	184.3	2.7
APR 2005	190.2	3.1	182.2	4.7	184.1	7.5	184.2	4.9	186.7	2.6	184.7	3.1
<b>U.S. City Average Retail Prices</b>												
Month	Whole Milk <sup>4/</sup>		Butter <sup>5/</sup>		Process Cheese <sup>6/</sup>		Natural Cheese <sup>7/</sup>		Ice Cream <sup>8/</sup>			
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	Dollars											
FEBRUARY	3.176	2.814	3.525	2.787	3.873	3.937	4.382	3.973	3.790	3.808		
MARCH	3.226	2.786	3.456	3.466	3.843	3.895	4.354	4.079	3.654	3.648		
APRIL	3.225	2.906	3.404	3.353	3.840	3.848	4.449	4.134	3.772	3.815		

<sup>1/</sup> "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. <sup>2/</sup> The standard reference base period for these indexes is 1982-1984 = 100. <sup>3/</sup> Percent change over previous year. <sup>4/</sup> Per gallon. <sup>5/</sup> Per pound. Grade AA, salted, stick butter. <sup>6/</sup> Per pound, any size and type of package. <sup>7/</sup> Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). <sup>8/</sup> Per 1/2 gallon, prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—JANUARY-MARCH 2004-2005 AND ANNUAL 2003-2004 <sup>1/</sup>

Item	Jan.-Mar. 2004	Percent change <sup>2/</sup>	Jan.-Mar. 2005	Percent change <sup>2/</sup>	Jan.-Dec. 2003	Percent change <sup>2/</sup>	Jan.-Dec. 2004	Percent change <sup>2/</sup>
	Million Pounds							
<b>MILK</b>								
Production	42,759	-1.8	43,218	2.2	170,394	0.2	170,805	0.0
Marketings	42,480	-1.9	42,946	2.2	169,275	0.2	169,686	0.0
Beginning Commercial Stocks <sup>3/</sup>	8,333	-15.8	7,154	-14.1	9,891	40.5	8,333	-15.8
Imports <sup>3/</sup>	1,195	-3.6	1,338	12.0	5,040	-1.3	5,279	4.7
Total Supply <sup>4/</sup>	52,008	-4.4	51,438	-0.2	184,206	1.7	183,298	-0.7
Ending Commercial Stocks <sup>3/</sup>	10,065	376.6	9,437	-6.2	8,333	-15.8	7,154	-14.1
Net Removals <sup>3/</sup>	-99	-126.3	-25	-74.7	1,162	256.4	-64	-105.5
Commercial Disappearance <sup>4/</sup>	42,042	-19.2	42,026	1.1	174,711	2.2	176,208	0.6
<b>SELECTED PRODUCTS <sup>5/</sup></b>								
Butter	290.3	-7.5	281.5	-1.8	1,309.2	1.6	1,355.4	3.3
American Cheese	927.2	4.0	923.9	0.7	3,659.2	-1.5	3,805.7	3.7
Other Cheese	1,360.0	7.6	1,408.9	4.8	5,347.6	2.5	5,540.6	3.3
Nonfat Dry Milk	326.9	91.5	325.7	0.5	914.9	12.5	1,315.0	43.4
Fluid Milk Products <sup>6/</sup>	13,983.6	-1.1	13,663.4	-1.2	54,980.5	-0.5	54,523.6	-1.1

<sup>1/</sup> Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. <sup>2/</sup> From year earlier on a daily average basis. <sup>3/</sup> Milk-equivalent, milkfat basis. <sup>4/</sup> Totals may not add because of rounding. <sup>5/</sup> Commercial disappearance in product pounds. <sup>6/</sup> Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.



### ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK ORDERS, JUNE 2005, WITH COMPARISONS <sup>1/</sup>

For June 2005, the all-city average announced cooperative Class I price was \$17.70 per cwt., \$1.55 higher than the Federal milk order Class I price average for these cities. The June cooperative Class I price was \$1.10 lower than the May price, while the Federal order price was \$1.18 lower. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.15 in Phoenix, AZ, to \$2.68 in Miami, FL. For June 2004, the all-city average announced cooperative Class I price was \$25.16, \$1.50 higher than the Federal order Class I price average for these cities.

City	June 2005		
	Announced Cooperative Class I Price	Federal Milk Order Class I Price	Difference
	Dollars per hundredweight, 3.5% butterfat		
Atlanta, GA	18.33	16.72	1.61
Baltimore, MD	18.42	16.62	1.80
Boston, MA	18.57	16.87	1.70
Charlotte, NC	18.33	16.72	1.61
Chicago, IL	18.02	15.42	2.60
Cincinnati, OH	17.53	15.82	1.71
Cleveland, OH	17.33	15.62	1.71
Dallas, TX	17.62	16.62	1.00
Denver, CO	17.02	16.17	0.85
Des Moines, IA	17.15	15.42	1.73
Detroit, MI	17.14	15.42	1.72
Hartford, CT	18.47	16.77	1.70
Houston, TX	18.22	17.22	1.00
Indianapolis, IN	17.33	15.62	1.71
Kansas City, MO	16.84	15.62	1.22
Louisville, KY	17.43	15.82	1.61
Memphis, TN	17.83	16.42	1.41
Miami, FL	20.60	17.92	2.68
Milwaukee, WI	17.97	15.37	2.60
Minneapolis, MN	17.22	15.32	1.90
New Orleans, LA	18.63	17.22	1.41
Oklahoma City, OK	17.27	16.22	1.05
Omaha, NE	16.90	15.47	1.43
Philadelphia, PA	18.71	16.67	2.04
Phoenix, AZ	16.12	15.97	0.15
Pittsburgh, PA <sup>2/</sup>	17.71	15.72	1.99
St. Louis, MO	17.17	15.62	1.55
Seattle, WA	15.94	15.52	0.42
Springfield, MO	16.87	15.82	1.05
Washington, DC	18.42	16.62	1.80
Simple Average	17.70	16.15	1.55

<sup>1/</sup> This table contains information obtained from the Class I price announcements sent by the major cooperative in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.

<sup>2/</sup> Announced Cooperative Class I Price for May has been revised to \$18.89.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF MAY 23 - 27, 2005			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/04	SAME PERIOD LAST YEAR	WEEK ENDING 05/20/05	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	31,817,269	282,199,260	-0-	690,526,000
Fortified	-0-	-0-	-0-	-0-	-119,048	-0-	46,391,000
TOTAL	-0-	-0-	-0-	31,817,269	282,080,212	-0-	736,917,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF MAY 23 - 27, 2005 =	0.0	0.0	COMPARABLE PERIOD IN 2004 =	0.6	33.9
CUMULATIVE SINCE OCTOBER 1, 2004 =	7.0	370.4	CUMULATIVE SAME PERIOD LAST YEAR =	61.1	3,283.4
CUMULATIVE JANUARY 1 - MAY 27, 2005 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2004 =	35.6	1,934.2

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

\*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF MAY 23 - 27, 2005 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
CENTRAL	-0-	-0-	-0-	-0-	1,331,567	7,646,276	4.2	2.8
WEST	-0-	-42,309	-0-	-0-	29,415,099	270,150,162	92.4	95.7
EAST	-0-	-0-	-0-	-0-	1,070,603	4,283,774	3.4	1.5
TOTAL	-0-	-42,309	-0-	-0-	31,817,269	282,080,212	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 05/07/05 & Comparable Week 2004

Regions* (000 HEAD)		U.S. TOTAL										% DAIRY OF ALL	
		1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1
2005-Dairy	N.A.	0.6	N.A.	2.3	13.4	2.1	0.8	N.A.	11.5	2.3	40.6	856.5	48.9
2004-Dairy	N.A.	0.7	N.A.	2.0	15.4	1.9	0.4	N.A.	9.6	2.0	39.7	887.0	42.1
2005-All cows	N.A.	0.6	N.A.	10.6	23.8	13.2	10.5	N.A.	13.3	4.3	87.1	1,751.8	48.9
2004-All cows	1.0	0.7	N.A.	9.7	27.1	12.7	15.4	N.A.	11.7	5.6	94.2	1,852.6	47.9

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14

FEDERAL MILK ORDER CLASS PRICES FOR 2005 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	16.65	13.79	15.43	14.13	14.80	13.62						
II	13.04	13.36	13.25	13.24								
III	14.14	14.70	14.08	14.61								
IV	12.52	12.74	12.66	12.61								

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfmos/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfmos/mib/cls_prod_cmp_pr.htm)